



Summary of submissions: Consultation on the Water Services Authority – Taumata Arowai levy for 2025 – 2028

On 26 November 2024, the Water Services Authority– Taumata Arowai (the Authority), on behalf of the Minister of Local Government, began an eight-week targeted public consultation on the proposed design of a levy for councils and their council-controlled organisations (CCOs) to fund water services regulation.

The Authority received 51 submissions on the proposed design of the levy

Of the 51 submissions received, 12 were submitted by organisations and individuals that were not councils or CCOs that manage water services. As this was a targeted consultation, the primary analysis is of the views submitted by councils and CCOs only. An analysis of other organisations and individuals is provided at the end of this document.

Not all councils and CCOs answered every specific question asked in the consultation, and some councils provided general feedback in place of answering individual questions. The Authority has considered these limitations in its analysis of submitters' views.

Groups of submitters are denoted by: 'a small number' (1-3), 'several' (3-10), 'many' (11-15), 'majority' (more than half) and 'most' (more than 20) respectively. There can be room for interpretation in understanding the position of submitters, and so these terms are used to manage submission nuances.

The Authority received 39 submissions from 38 councils and CCOs

Submissions were from councils and CCOs representing 38 territorial authorities.¹

Collectively, the council and CCO submitters represent a population of 3.98 million people or 79.85% of the total population.

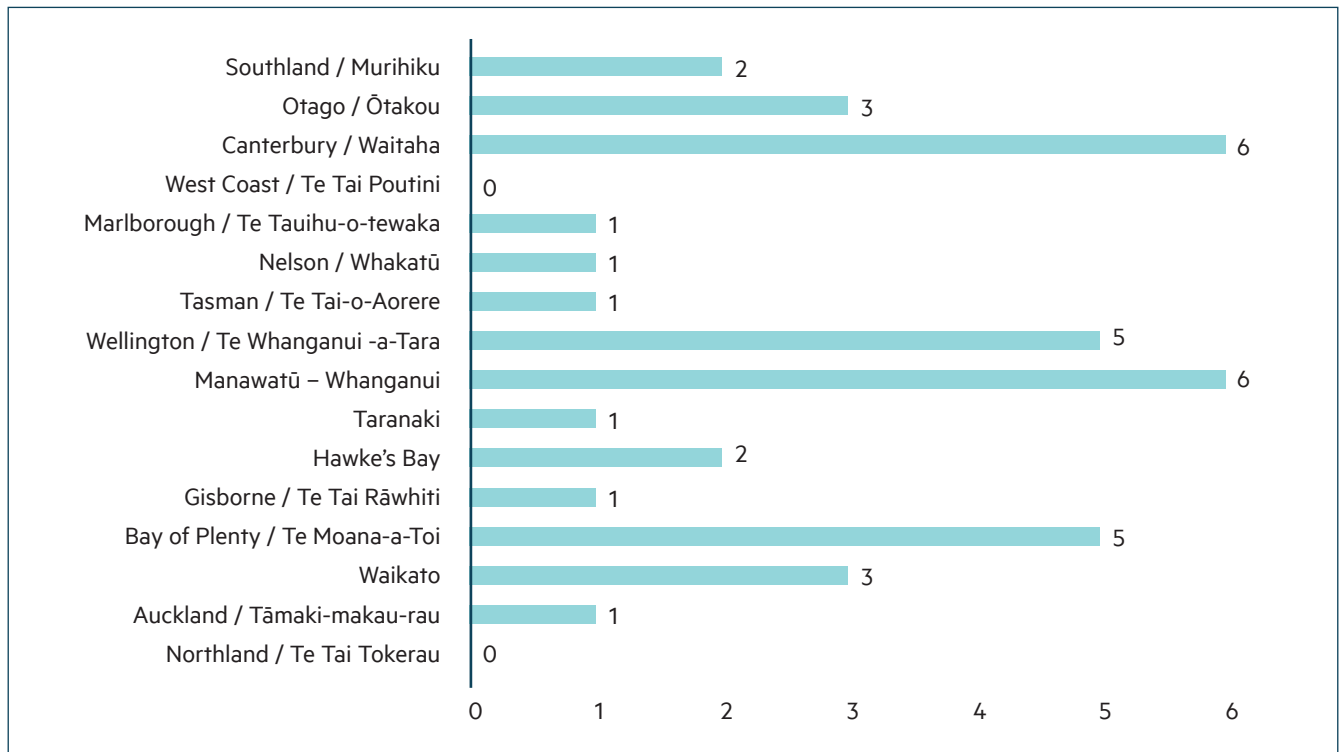
Submissions were distributed throughout the country, with 55% of North Island councils responding and 60% of South Island councils responding, across 14 regions.

No submissions were received from councils in Northland or the West Coast of the South Island; all other regions had at least one submission.

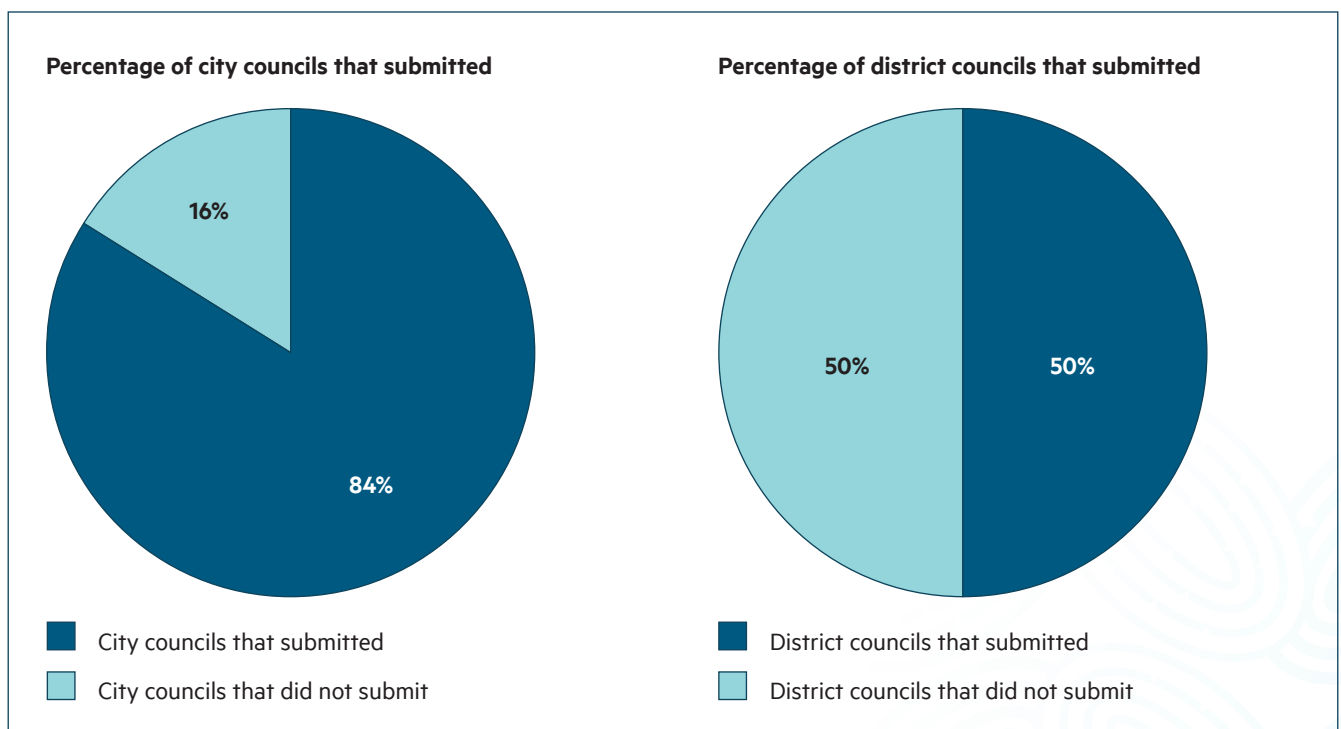
¹ Two different submissions were received from Hurunui District Council and are considered one submission for analysis purposes.



Regional breakdown of submissions from councils and CCOs



Percentage of councils that made submissions



Councils supporting/not supporting a levy regime, and those who did not submit

	Support that a levy in some form is appropriate	Do not support a levy	No preference / not answered	Councils that did not submit	Total no. of councils in NZ
Number	14	19	5	28	66
Population	2,701,989	717,456	567,555	1,006,254	4,993,254
Percentage of total population	54.11%	14.37%	11.37%	20.15%	100.00%
Percentage of population covered by respondents	67.77%	17.99%	14.24%		100.00%

Almost half of councils agreed that a levy regime should be implemented in some form, but several considered the Crown contribution should be higher.

Among councils and CCO submitters, 14 acknowledged that implementing a levy regime in the future is appropriate, while 19 opposed implementing a levy in any form. Five respondents didn't answer or stated no clear preference.

The 14 submitters that acknowledged that implementing a levy regime in the future is appropriate represent 54% of the total population and 68% of the population covered by respondents.

Most councils who agreed with the proposed levy considered that the Crown contribution should be higher than is currently proposed. Reasons included that this would better address cross-subsidisation and pay for activities that are of national benefit.

There were a range of views on what proportion of costs should be funded by the Crown. Five councils supported apportionment based on the Treasury's Guidelines for Setting Charges in the Public Sector, which if followed, would have suggested a Crown contribution of 26% or \$6.5 million.

Many other council submitters considered that as all New Zealanders ultimately benefit from the provision of clean and safe drinking water, the Authority's costs should be fully (or at least mostly) funded by the Crown.

There are concerns that councils would be subsidising other suppliers

Cross-subsidisation was raised as an issue by most councils, noting that the proposal is to levy only councils (serving 84% of the population with water services) during the initial levy period, and to apportion the levy based on population data. Several smaller councils requested targeted support for small, rural and low-income communities with higher per-capita costs than larger urban networks.

Charging a council based on the number of connections was raised as a fairer alternative to population size. There was mixed feedback on whether councils had enough data about the number of connections for this approach to be implemented from 1 July 2025.

Most councils supported aligning the levy period with Long-term Plans

Most councils supported aligning the levy review period with Long-term Plan (LTP) cycles, to give councils sufficient time for any design changes and cost implications to be factored into council planning. This would mean reducing the initial levy period from three to two years.

Summary of submission responses related to consultation questions²

Consultation Question	Submission response			Analysis
Do you/your organisation agree with the focus, in the first levy period, on councils?	14 (Agree)	14 (Disagree)	10 (Other ³)	<p>Councils were split on whether levy should be imposed, in the first levy period, only on councils and CCOs. Some noted that the funding of the Authority should remain with the Crown and others noted contributions from other supplier types should be considered.</p> <p>A small number of councils expressed concerns that high performing councils that have invested in water services may end up cross-subsidising councils that have not made similar investments.</p>
Would splitting the levy between drinking water, wastewater and stormwater result in any benefit for your organisation, or create any barriers?	21 (Benefit)	3 (Challenge)	13 (Unclear)	<p>Most submitters supported the levy being split between the three waters to enable flexibility in payment arrangements based on the way that councils decide to manage their water services.</p> <p>A small number of submitters had concerns that the amount allocated to wastewater and stormwater was too high.</p>
Would the proposed apportionment approach create any challenges for your organisation?	11 (No challenges)	22 (Challenges)	5 (Unclear)	<p>Cross-subsidisation and the implications for communities were raised by most councils, regardless of whether it would present a challenge to their organisation. The smaller the size of the council district, the more likely this was to be raised as an issue.</p> <p>Charging a council based on the number of connections was raised as a fairer alternative than population size, but there was mixed feedback on whether councils had enough data about the number of connections for this approach to be implemented from 1 July 2025.</p> <p>Several smaller councils requested targeted support for small, rural and low-income communities with higher per-capita costs than larger urban networks.</p>
Do you see any issues with your implementation of the levy?	4 (No issues)	23 (Issues)	11 (Unclear)	<p>Most councils noted that the levy was an unbudgeted and unexpected cost being assigned to local authorities, that is not provided for in Annual or Long-term Plan budgets and will be a challenge to implement, for example: because of the time needed if undertaking community consultation; the complexity of collecting funds for central government; meeting the implementation timeframe for the levy; and ensuring consistency between the Authority and Commerce Commission levies.</p> <p>Many councils were concerned that a levy would further contribute to cost pressures on local communities.</p> <p>Most councils supported aligning the levy review period with Long-term Plan cycles, to give councils sufficient time for any design changes and cost implications to be factored into council planning.</p> <p>Many councils were concerned about the levy coming into force on 1 July 2025 and requested that implementation be delayed or phased to help councils adjust.</p>

² This table does not summarise individual comments on questions. Not all respondents answered every question, and some respondents provided separate written documents in place of answering the individual questions.

³ This includes submitters that didn't answer this question, or their response didn't include a clear preference.

Themes from organisations and individuals that are not councils or CCOs that manage water services

The consultation was targeted at councils and CCOs that would pay a levy if it was implemented.

Submissions and feedback was received from other organisations and individuals on the levy proposals and questions posed in the consultation document. In brief, the responses highlighted:

- a concern that private and community supplies would be levied in the future
- support from Water New Zealand for a levy which recovers the costs of a reasonable, proportionate and pragmatic regulatory approach
- concern from Local Government New Zealand about the potential financial impact of the levy on councils.